

CONFORMED COPY

LOAN NUMBER 3828 KO

PUTA Project Agreement

(Pusan Urban Transport Management Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

PUSAN URBAN TRANSIT AUTHORITY

Dated March 3, 1995

LOAN NUMBER 3828 KO

PUTA PROJECT AGREEMENT

AGREEMENT, dated March 3, 1995, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and PUSAN URBAN TRANSIT AUTHORITY (PUTA).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Korea (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred million dollars (\$100,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that PUTA agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and PUTA, a portion of the proceeds of the loan provided for under the Loan Agreement will be relent to PUTA on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS PUTA, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. PUTA declares its commitment to the objectives of the Project as set forth in Schedule 1 to the Loan Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, transport and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to this Agreement.

Section 2.03. PUTA shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project.

Section 2.04. PUTA shall duly perform all its obligations under the PUTA Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, PUTA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the PUTA Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) PUTA shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Part B of the project, the performance of its obligations under this Agreement and under the PUTA Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) PUTA shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Part B of the Project, the accomplishment of the purposes of the Loan, or the performance by PUTA of its obligations under this Agreement and under the PUTA Subsidiary Loan Agreement.

Section 2.06. PUTA shall, by April 30 of each year, commencing on April 30, 1995, prepare and furnish to the Bank for its review and comments a report of such scope and such detail as the Bank shall reasonably request, on the environmental impact of the operation of Line 1 and construction and operation of Phase I/ Line 2 of the Pusan City Subway System, including implementation of the environmental mitigation measures identified in the Environmental Impact Assessment prepared by PUTA and approved by the Borrower's Ministry of Environment on October 28, 1991.

Section 2.07. By March 31, 1996, PUTA shall:

(a) in coordination with the Borrower's Ministry of Finance and Economic Planning Board and under the overall supervision of MOT, carry out a study to identify alternative long-term financing strategies for undertaking subway projects in Pusan City; and

(b) in coordination with Pusan City and under the overall supervision of MOT, carry out the study under Part B (ii) of the Project.

### ARTICLE III

#### Management and Operations of PUTA

Section 3.01. PUTA shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering, transport and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. PUTA shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, transport and environmental practices.

Section 3.03. PUTA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. PUTA shall maintain procedures and records adequate to: (a) monitor and record the progress of Part B of the Project (including its cost and the benefits to be derived from it); and (b) to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of PUTA.

Section 4.02. PUTA shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), including the records and accounts referred to in Section 4.01 of this Agreement, for each fiscal year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank, as soon as available but in any case not later than six months after the end of each such year: (A) certified copies of said financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. (a) Except as the Bank shall otherwise agree, PUTA shall produce for each of its fiscal years after its

fiscal year ending on December 31, 1995, total operating revenues equivalent to not less than the total operating expenses.

(b) For the purposes of this Section:

- (i) The term "total operating revenues" means revenues from the system riders' fares plus revenues from advertizing in the subway stations and railcars.
- (ii) The term "total operating expenses" means all expenses related to operations, including salaries, administration, adequate maintenance, materials, fuel, depreciation of equipment and rolling stock, taxes and payments in lieu of taxes, and a reserve for the replacement of equipment and rolling stock.

Section 4.04. PUTA shall by October 31 of each year, commencing on October 31, 1995 and thereafter, exchange views with the Bank on its proposed annual debt management plan, and investment plan and budget for its forthcoming fiscal year, and thereafter, taking into account the Bank's comments, finalize such plans and budget.

#### ARTICLE V

Effective Date; Termination;  
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of PUTA thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify PUTA thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INTBAFRAD

248423 (RCA)

Washington, D.C.

82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

For PUTA:

Pusan Urban Transit Authority  
861-1 Beomchun-Dong  
Pusanjin-Gu  
Pusan, Korea

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of PUTA may be taken or executed by its Chairman of the Board of Directors or such other person or persons as the Chairman of the Board of Directors shall designate in writing, and PUTA shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell Cheetham  
Regional Vice President  
East Asia and Pacific

PUSAN URBAN TRANSIT AUTHORITY

By /s/ Shin Myoung Ho  
Authorized Representative

SCHEDULE

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Rail cars shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price

shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part C.1 (a) of this Section, the Bank's prior approval will be required for:

- (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days; and
- (ii) any subsequent extension of the bid validity period.

(b) In the procurement of rail cars in accordance with this Part A, PUTA shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, PUTA shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

#### Part B: Preference for Domestic Manufacturers

In the procurement of rail cars in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Korea may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

#### Part C: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for rail cars estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II. Employment of Consultants

1. In order to assist PUTA in carrying out Part B of the Project, PUTA shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, PUTA shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, PUTA shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exceptions to prior Bank review

shall not apply to: (i) the terms of reference for such contracts; (ii) single source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (v) amendments to contracts for employment of individual consultants raising the contract value to \$50,000 equivalent or above.

